

## Historic, archived document

Do not assume content reflects current scientific knowledge, policies, or practices.



THE

## Cotton

## SITUATION

BUREAU OF AGRICULTURAL ECONOMICS  
UNITED STATES DEPARTMENT OF AGRICULTURE

CS-46

BAE

August 1940

COTTON, ALL KINDS: IMPORTS AND CONSUMPTION  
IN SPECIFIED IMPORTING AREAS, 1927-39

U. S. DEPARTMENT OF AGRICULTURE

NEG 38502 BUREAU OF AGRICULTURAL ECONOMICS

PRACTICALLY ALL THE COTTON EXPORTED FROM THE UNITED STATES AND OTHER EXPORTING COUNTRIES IS CONSUMED IN THE FOUR AREAS SHOWN IN THIS CHART. EXCEPT IN CHINA, THE COTTON CONSUMED IN THESE AREAS IS LARGELY IMPORTED. COTTON CONSUMPTION IN JAPAN AND CHINA WAS NEARLY  $2\frac{1}{2}$  MILLION BALES LESS LAST SEASON (1939-40) THAN IN THE PEAK YEAR 1936-37 AND MUCH BELOW AVERAGE. IT IS BELIEVED TO HAVE BEEN MUCH ABOVE AVERAGE IN THE UNITED KINGDOM BUT MUCH BELOW AVERAGE IN CONTINENTAL EUROPE. A CONTINUATION OF THE BRITISH BLOCKADE WOULD SEVERELY RESTRICT 1940-41 IMPORTS INTO AND CONSUMPTION IN CONTINENTAL EUROPE, WHERE CONSUMPTION IN RECENT YEARS HAS AVERAGED ABOUT  $5\frac{1}{2}$  MILLION BALES.

-----  
T H E C O T T O N S I T U A T I O N  
-----

Summary

Domestic cotton mill consumption during the next few months is expected to continue exceptionally large. Exports of raw cotton, on the other hand, are likely to be the smallest for many decades if Great Britain is able to maintain the blockade of continental Europe. Even with the record high domestic consumption, restricted exports may reduce domestic disappearance to a level much below average.

Last season domestic mill consumption, plus exports, totaled nearly 14 million bales, and exceeded domestic ginnings, plus imports, by nearly 2-1/2 million bales. This reduced the domestic carry-over from 13 million to a little over 10-1/2 million bales. The carry-over, however, was still the third largest on record. Present prospects for domestic consumption, exports, and production indicate a substantial increase in the domestic carry-over at the end of the current season. It should, however, remain materially below the record high level of August 1, 1939.

Sales of cotton textiles by domestic manufacturers have been below production during the last several weeks. Unless developments in the European War adversely affect domestic business sentiment, manufacturers' sales are expected to improve within the next few weeks. Stocks of goods in domestic distributors' hands are believed to be relatively low in view of their prospective needs. Factors expected to strengthen the demand for domestically produced cotton goods include: (1) Large Government purchases for defense and relief; (2) the enlarged Government Export Subsidy Program; and (3) increased incomes of domestic consumers.

British cotton mill activity apparently declined slightly during the first 3 weeks of August. British cotton mill consumption still continues at exceptionally high levels, but is now considerably lower than in the first 3 weeks of July. Cotton mill consumption in the Orient continued relatively low. In continental Europe, where the blockade has restricted available supplies of raw cotton, consumption is no doubt also low.

Domestic prices of spot cotton appear to have been adjusting themselves to a new crop basis within the last 4 weeks. During the latter part of the 1939-40 marketing season the extremely short stocks of cotton in trade channels was an important price-supporting factor. This was true even though the prospective increase in supply during August may have been discounted to a considerable extent. Since early August ginnings from the new crop no doubt have exceeded domestic consumption plus exports, with resultant larger domestic stocks of "free" cotton.

-- August 28, 1940

#### PRICES

Domestic spots again decline;  
futures about unchanged or up slightly

Domestic prices of spot cotton in the last month continued the rather steady decline which began in the third week of June. A net loss of  $2\frac{2}{3}$  cent between July 24 and August 24 reduced the price of Middling 15/16" in the 10 designated markets to 9.62 cents on the latter date. This was 1.16 cents below the relatively high price reached in June but  $3\frac{3}{5}$  cent higher than a year earlier. During the past month the Government loan rates on the 1940 crop were announced, with rates for Middling 15/16", on a net weight basis, ranging from 9.90 cents in the Carolina mill areas to 9.16 cents in western Texas and New Mexico. The rate in most ports was 9.80 cents. These rates were about in line with trade expectations and their announcement appeared to have had little influence on cotton prices. The rates on a gross weight basis are 0.40 cent less than on a net weight basis, ranging from 9.50 to 8.76 cents. Compared with last year's minimum loan of 8.30 cents on Middling 7/8" on a gross weight basis, the minimum this year will be 8.51 cents. As of August 24 prices in



the 10 designated markets were from 1/4 cent below to 1 cent above the loan rate in these markets.

On August 24 prices of active month futures contracts were from 0.01 to 0.24 cent below those of July 24. During this period the spread of spots over futures was, therefore, materially reduced.

The decline in domestic spot prices during recent weeks appears to have been due in part to the approaching marked increase in stocks of "free" American cotton as the new crop moves in volume. The recent declines in mill consumption in Great Britain, Japan, and China the most important markets now open to American cotton probably also were factors in the price decline. Had the latter factors been particularly important, however, it seems likely that quotations on domestic futures contracts would have weakened more. The decline in spots relative to futures suggests that increased ginnings from the new crop were the most important factors influencing price changes during this period.

Prices in Liverpool advance as mill  
forwardings continue above imports

From July 26 to August 23 prices of the more important growths of American, Indian, Egyptian, and Brazilian cotton in Liverpool made net advances between 1/5 cent and 1-1/3 cents a pound. A large part of these increases occurred during the week ended August 16. This appears to have been largely the result of the continued steady decline in port stocks during recent weeks, growing fears of increased import difficulties especially following the beginning of the intensified aerial warfare in the second week of August, and uncertainties as to future shipments of cotton through the Red Sea. Data are not available with respect to stocks of raw cotton in British ports, but reports from the American embassy during recent weeks have stressed the growing concern on the part of members of the cotton trade over the declining port stocks as forwardings to mills have continued in excess of arrivals.

During the month under review there was comparatively little change in the relation of the price of American to the price of Indian and Brazilian. The price of Egyptian Uppers, however, increased from 45 percent above American Middling fair staple on July 26 to 53 and 51 percent above on August 16 and August 23. With the exception of a short period in 1926, the average ratio from August 9-23 was the highest for any month since 1920. The actual prices of Egyptian Uppers in terms of cents per pound are now the highest since April 1930, and in terms of British currency since early 1929. When converted to cents, the prices of Egyptian Uppers have recently been nearly 4 cents a pound or one-fourth above the average for the 10 years ended July 1937, whereas prices of American, Indian, and Brazilian (see accompanying table) were somewhat below the 10-year average. The exceptionally high prices of Egyptian Uppers in relation to most other important growths are apparently attributable to the declining production of this cotton during the last few years and probably to the heavy British demand for such cotton for military and civil defense purposes.

Season, month or day	Liverpool, England				Osaka, Japan				New Orleans			
	Indian		Egyptian		Brazilian		Ameri-		Indian		American	
	Fine Com's	As a : : % of : : Ameri- : : tual : : Mid- : : dling :	F.G.F. Uppers	As a : : % of : : Ameri- : : can : : Mid- : : dling :	Fair, Sao Paulo	Ac- : : tual : : Mid- : : dling :	can :	Pet.	1/ Acola	Ac- : : tual : : Mid- : : dling :	Ac- : : tual : : Mid- : : dling :	Spread: Spread : Liver- : : : pool : over : over : New : New : Orleans
10-yr. av.	Ct.	Pct.	Ct.	Pct.	Ct.	Pct.	Ct.	Pct.	Ct.	Pct.	Ct.	Ct.
1927-28 to:												
1936-37	14.50	13.60	11.19	78.0	17.12	117.9	14.08	97.7	14.74	11.37	77.1	12.65 1.85 2.09
1936-37	14.62	12.16	10.87	74.4	17.40	119.0	14.12	93.3	13.75	11.58	73.5	12.79 1.83 2.96
1937-38	10.31	8.73	7.96	77.1	13.10	126.7	10.18	98.7	12.70	9.95	78.3	8.79 1.52 3.91
1938-39	10.15	8.71	7.14	70.4	11.80	116.5	9.63	94.9	2/10.39	2/7.36	72.2	8.73 1.42 2/ 2.29
1939-40	12.04	11.79	9.94	78.4	15.76	124.1	12.49	98.6	3/	3/		10.02 2.62
1938-39 -												
June .....	11.04	9.38	7.61	68.9	11.47	102.9	10.13	92.2	3/	3/		9.45 1.59 3/
July .....	10.51	8.95	7.31	63.9	11.43	107.7	9.35	92.8	3/	3/		9.37 1.24 3/
1939-40 -												
Aug. ....	10.16	8.53	7.38	72.6	11.35	111.7	9.37	92.2	3/	3/		8.95 1.21 3/
Sept. ....	11.21	9.79	8.56	76.4	12.49	111.4	10.71	95.5	3/	3/		9.02 2.19 3/
Oct. ....	10.65	9.41	8.41	79.0	12.03	113.0	10.45	98.1	3/	3/		8.92 1.72 3/
Nov. ....	11.66	10.79	9.46	81.1	12.70	108.9	11.59	99.4	3/	3/		9.40 2.26 3/
Dec. ....	14.14	13.32	11.69	82.7	15.80	111.7	14.14	100.0	13.23	11.29	85.3	10.64 3.50 2.59
Jan. ....	14.81	14.12	12.31	83.1	17.50	118.2	14.87	100.4	3/	3/		10.79 4.02 3/
Feb. ....	13.74	13.11	11.09	80.7	17.14	124.7	13.94	101.5	13.86	10.06	72.6	10.67 3.07 3.19
Mar. ....	13.06	12.53	10.68	81.8	17.17	131.5	13.23	101.3	13.60	9.39	69.0	10.43 2.63 3.17
Apr. ....	13.47	12.88	10.70	79.4	17.64	131.0	13.47	100.0	13.52	8.88	65.7	10.54 2.93 2.98
May ....	12.95	12.36	10.23	79.0	17.44	134.7	12.95	100.0	12.82	7.67	59.8	10.05 2.90 2.77
June ....	12.61	12.02	9.37	74.3	18.26	144.8	12.43	98.5	12.87	6.89	53.5	10.54 2.07 2.33
July ....	13.25	12.60	9.46	71.4	19.54	147.5	12.71	95.9	12.71	7.62	61.5	10.35 2.50 2.36
July 5 ....	13.11	12.44	9.26	70.6	19.59	149.4	12.61	96.2	3/	3/		10.55 2.56
12 ....	13.38	12.71	9.53	71.2	20.07	150.0	12.88	96.3	3/	3/		10.50 2.88
19 ....	13.13	12.46	9.44	71.9	19.10	145.5	12.54	95.5	3/	3/		10.30 2.83
26 ....	13.33	12.75	9.61	72.1	19.37	145.3	12.83	96.2	4/12.71	4/7.82	4/61.5	10.10 3.23 4/ 2.36
Aug. 2 ....	13.11	12.61	9.53	72.7	19.34	147.5	12.70	96.9	3/	3/		10.10 3.01
9 ....	13.15	12.65	9.61	73.1	20.14	153.2	12.73	96.8	3/	3/		9.90 3.25
16 ....	13.74	13.23	9.95	72.4	21.01	152.9	13.32	96.9	3/	3/		9.65 4.09
23 ....	13.72	13.22	9.83	71.6	20.71	150.9	13.30	96.9	3/	3/		9.50 4.22

Continued -

Cotton: Spot price per pound, specified growths at Liverpool, Osaka and  
New Orleans, specified periods -Continued

Prices at Liverpool are compiled from reports of the Liverpool Cotton Association except for recent weeks which are from cables and reports of the New York Cotton Exchange. Prices were reported in pence per pound and converted to cents per pound at current official rates of exchange. Prices at Osaka are from "The Ton-Days Return of Cotton", Osaka, and cables to the Bureau of Agricultural Economics. They were reported in yen per picul and converted to cents per pound using monthly exchange rates as reported by the Federal Reserve Board. Prices at New Orleans are from reports of the New Orleans Cotton Association.

- 1/ Average of Hinganghat, Yeotmal and Akora, referred to as Acola or the Acola group.
- 2/ Average for 10 months. Ten-months average for New Orleans 8.60.
- 3/ Not available.
- 4/ July average.



Cotton: Spot price per pound at New Orleans, Bombay,  
and Sao Paulo, specified periods 1/

Season month or day	:Bombay:Sao Paulo:			New Orleans	
	:Indian:	Brazilian:	American:	Spread over:	Spread over
	: Oomra:	type	: Middling:	Oomra at	: Brazilian
	: fine:	5	: 15/16"	Bombay	: at Sao Paulo
	: Cents	Cents	Cents	Cents	Cents
10 yr. av.:	:				
1927-28	:				
to 1936-37	: 10.06	14.11	12.99	2.93	- 1.12
1936-37	: 10.08	12.95	13.45	3.37	0.50
1937-38	: 7.27	9.26	9.24	1.97	- 0.02
1938-39	: 6.57	8.40	9.04	2.47	0.64
1939-40	: 8.14	9.04	10.23	2.09	1.19
June	: 7.17	8.78	9.75	2.58	0.97
July	: 6.81	8.16	9.67	2.86	1.51
1939-40	:				
Aug.	: 6.76	7.72	9.18	2.42	1.46
Sept.	: 7.33	8.69	9.22	1.89	0.53
Oct.	: 7.46	8.73	9.12	1.66	0.39
Nov.	: 8.61	9.76	9.60	.99	- 0.16
Dec.	: 10.50	11.91	10.84	.34	- 1.07
Jan.	: 10.46	11.35	10.98	.52	- 0.37
Feb.	: 9.16	10.70	10.87	1.71	0.17
Mar.	: 8.78	9.69	10.63	1.85	0.94
Apr.	: 8.82	8.87	10.74	1.92	1.87
May	: 7.69	7.58	10.25	2.56	2.67
June	: 5.84	6.69	10.74	4.94	4.05
July	: 6.24	6.82	10.55	4.31	3.73
July 5	: 5.39	6.97	10.75	5.36	3.78
12	: 6.37	6.98	10.70	4.33	3.72
19	: 6.32	6.66	10.50	4.18	3.84
26	: 6.88	6.66	10.30	3.42	3.64
Aug. 2	: 6.60	6.37	10.30	3.70	3.93
9	: 6.53	6.62	10.10	3.57	3.48
16	: 6.53	6.57	9.85	3.32	3.28
23	: 6.36	6.45	9.70	3.34	3.25

Minus sign indicates Indian or Brazilian over American. Prices at Bombay are from Bombay Cotton Annual and Financial News through March 1940.

April 1940 to date from New York Cotton Exchange reports. They were converted from rupees per candy of 78 $\frac{1}{2}$  pounds at current rates of exchange (buying rates in recent weeks) as reported by the Federal Reserve Board. Through August 1932 monthly data are averages of daily prices; from September 1932 to date average of Wednesday or Thursday quotations. Prices at Sao Paulo are from official Brazilian publications and material from the American Consular Service at Sao Paulo. Monthly averages are as quoted through December 1934. From January 1935 to date they are averages of buyers' and sellers' quotations. Prices were converted from milreis per 15 kilograms at current rates of exchange until September 1934, October 1934 to February 10, 1935 at open or free market rates, and from February 11 to date at composite averages of official and free market rates; except from Nov. 16, 1937 through Apr. 10, 1939 when free market rates were used. 1/ Prices of Indian are spot or near futures prior to September 1932. From April 1, 1940 to date they are near futures.

The rise in the price of American cotton in Liverpool and the decline in the domestic markets have greatly increased the spread between these markets during the last month. American Middling in Liverpool increased from 3.23 cents over American Middling in New Orleans on July 26 to 4.22 cents on August 23. The spread on the latter date was approximately as high as at any time in January, and with that exception the highest since immediately after the World War. It was more than twice the average for the 10 years ended July 1937. Ocean freight rates plus war risks and ordinary marine insurance for cotton moving from New Orleans to Liverpool on British vessels have remained unchanged at 1.83 cents per pound since June 26 and have varied between 1.77 and 1.83 since the latter part of last December.

#### EXPORTS

American cotton: Exports in recent weeks  
40 to 90 percent below average

In each of the 4 weeks ended August 22 exports from the United States totaled from 5,000 to 31,000 bales, whereas during the corresponding weeks last year exports ranged from 31 to 50 thousand bales. Compared with the average for the corresponding weeks during the 10-year period ended 1937, exports during those weeks this year showed a decline of 40 to 93 percent. During these weeks because of the British blockade practically no cotton has gone to continental Europe. For the month of August last year exports to continental Europe totaled 105,000 bales. The 10-year (1923-37) August average was 177,000 bales. The importance of continental Europe as an export market for American cotton is further indicated by the fact that during the 12 months ended July 1940 exports to this area totaled 2-1/3 million bales despite the countries blockaded for periods of from a few weeks, as in the case of France, to 11 months as in the case of Germany. Average exports to continental Europe for the 10 years ended 1937-38 amounted to 3,397,000 bales.

For the year ended July 1940 exports of American cotton totaled 6,175,000 bales. This total, 86 percent larger than the exceptionally small exports the preceding season, was the largest since 1933-34 but 600,000 bales or 9 percent less than the average for the 10 years ended July 1938. Exports to the United Kingdom and China were about 4-3/4 times as large as the small exports of the preceding season. Exports to France, Italy, Belgium, and Canada were from 1-3/4 to 2-1/4 times as large.

A continuation of the war situation about as at present would likely result in the smallest exports of American cotton since immediately following the Civil War. Even in the markets now accessible to American exporters, takings of the domestically produced staple are likely in most instances to be smaller than in 1939-40. This seems particularly likely in the case of Great Britain, where August 1 stocks were perhaps twice as large as the average for recent years and where plans have been made to take the entire 1940 Egyptian crop.

Cotton: Exports from specified countries, average 1928-29  
to 1937-38, and seasons 1937-38 to date

Country of origin and destination	July					August to July				
	: 10-yr.av:	:	:	:	: 1940	: 10-yr.av:	:	:	: 1939-40	
	: 1928-29	: 1938	: 1939	: 1940	: as a	: 1928-29	: 1937-	: 1938-	: 1939-	: as a
	: to	:	:	:	: % of	: to	: 38	: 39	: 40	: % of
	: 1937-38	:	:	:	: 1939	: 1937-38	:	:	:	: 1938-39
	: 1,000	1,000	1,000	1,000		1,000	1,000	1,000	1,000	
	: run.	run.	run.	run.		run.	run.	run.	run.	
	: bales	bales	bales	bales	Pct.	bales	bales	bales	bales	Pct.
United States to:										
Germany .....	44	9	15	0	---	1,227	654	321	19	5.9
United Kingdom :	46	31	8	42	525.0	1,310	1,552	401	1,889	471.1
France .....	13	4	3	0	---	696	716	338	724	214.2
Italy .....	23	22	15	0	---	570	505	276	542	196.4
Spain .....	10	0	1	0	---	213	1	17	270	1,588.2
Belgium .....	5	6	2	0	---	155	190	88	200	227.3
Canada .....	14	13	14	20	142.9	228	246	229	412	179.9
Japan .....	65	70	19	42	221.1	1,468	691	864	914	105.8
China .....	20	1/	2	2	100.0	286	23	86	408	474.4
Other countries:	48	41	27	14	51.9	643	1,020	707	797	112.7
Total .....	288	196	106	120	113.2	6,796	5,598	3,327	6,175	185.6
	: 1,000	1,000	1,000	1,000		1,000	1,000	1,000	1,000	
	: bales	bales	bales	bales		bales	bales	bales	bales	
	: 478 lb.	478 lb.	478 lb.	478 lb.	Pct.	478 lb.	478 lb.	478 lb.	478 lb.	Pct.
Egypt to										
United Kingdom :	28	33	32	9	28.1	538	576	565	637	112.7
France .....	12	11	14	0	---	205	235	198	314	158.6
United States ..	4	4	3	0	---	92	38	36	57	158.3
Germany 2/ .....	11	23	18	0	---	154	217	216	12	5.6
Italy .....	6	10	10	0	---	114	120	112	97	86.6
Japan .....	5	11	11	3	27.3	107	89	157	142	90.4
British India ..	3	5	6	3	50.0	70	132	86	119	138.4
Other countries:	22	26	29	1	3.4	329	385	393	261	66.4
Total .....	91	125	123	16	13.0	1,609	1,792	1,763	1,639	93.0
	:					:				
		May					August to May			
Brazil to										
Japan .....	3/	37	82	68	82.9	3/	102	288	154	53.5
United Kingdom :	---	11	17	44	258.8	---	155	171	245	143.3
Germany .....	---	37	36	0	---	---	374	223	70	31.4
France .....	---	12	16	1/	---	---	48	104	55	52.9
Italy .....	---	3	6	6	100.0	---	8	50	26	52.0
Netherlands ...	---	3	6	10	166.7	---	12	27	37	137.0
Belgium .....	---	3	2	3	150.0	---	20	20	22	110.0
Other countries:	---	7	24	64	266.7	---	55	148	165	111.5
Total .....	33	113	189	195	103.2	324	774	1,031	774	75.1

Compiled from official sources.

1/ Less than 500 bales.

2/ Includes Austria beginning January 1938.

3/ Not available by countries.



## Cotton: Exports from specified countries, 1935-39

Country	Period beginning August 1 to end of month indicated		1935-36	1936-37	1937-38	1938-39	1939-40
			1,000	1,000	1,000	1,000	1,000
			bales 2/	bales 2/	bales 2/	bales 2/	bales 2/
United States .....	July		5,973	5,440	5,598	3,327	6,175
India .....	"		3,094	3,607	1,721	2,685	2,100
Egypt .....	"		1,694	1,828	1,792	1,763	1,639
Argentina .....	June		178	139	24	86	89
Anglo Egyptian Sudan:	"		184	244	255	291	135
Peru .....	"		321	318	264	300	290
China .....	"		185	243	335	270	18
Brazil .....	May		472	729	774	1,031	774
Turkey .....	April		75	59	65	74	20
Total 8 foreign countries .....			6,203	7,167	5,210	6,500	5,065

Compiled from official sources except exports from India for 1939-40 which are estimated by the New York Cotton Exchange Service.

1/ Preliminary. 2/ Exports from the United States in running bales, exports from foreign countries in bales of 478 pounds.

Foreign cotton: Exports from most important countries lower last season than in 1938-39

Data on exports for the year ended July 31, 1940 are not now available for several of the important foreign cotton-exporting countries but the information available at this time indicates that the combined exports from these countries for the past marketing season were undoubtedly materially smaller than during the preceding 12 months. Official estimates of exports from India were suspended several months ago because of the war, but unofficial estimates have placed total exports from India for the year ended July 31, 1940 at 1 1/2 million bales or more below exports during the preceding season.

Exports from Egypt, as officially reported, were 124,000 bales (7 percent) less than in 1938-39. From August through May exports from Brazil were 260,000 bales, (25 percent) less than for the corresponding period of the previous season.

As shown in the accompanying table, exports from August through April, May or June from the 6 other exporting countries for which data are available are about the same as, to 93 percent smaller than, in the corresponding period of 1938-39.

Exports for July are available only for Egypt, where they were only 13 percent as large as in July 1939. Practically all of the small quantity exported to 3 countries - the United Kingdom, Japan, and British India. If data were available for exports from other countries in recent weeks, they would no doubt show that in most instances exports were much lower than in the corresponding period last year and that little cotton had been exported from these areas to continental Europe. As long as exports from most of the foreign exporting countries to continental Europe are not possible or are greatly less than the usual amount, there will be increased pressure of cotton from these exporting countries in those markets that are accessible.



## DEMAND AND CONSUMPTION

UNITED STATES: Consumption  
decline in July is less than usual

The consumption of 598,000 bales of cotton by domestic mills in July was about 7 percent larger than in June and 15 percent larger than in July last year. The daily rate of consumption in July, however, was slightly less than in June but declined by less than the usual amount. The Federal Reserve Board's index of cotton consumption for July was 104 compared with 107 in June. When adjusted for seasonal variation, the index for July was 116 compared with 112 in June and 111 in July 1939. These index numbers are from their new series in which the average for the calendar years 1935 to 1939 represents 100.

The total of 7,746,000 bales consumed during the 12 months ended July 1940 was about one-eighth larger than in the preceding season and one-fifth larger than the preceding 5-year average. It was second only to the record high consumption of 7,950,000 bales in 1936-37. All but 130,000 bales of the total for last season was American cotton. Of this foreign cotton a little less than half, or 54,000 bales, was Egyptian cotton.

Trade reports indicate that sales of unfinished cotton goods by domestic manufacturers were less than production during July and early August, even though Government purchases are reported to have been fairly large during part of this period. For the week ended August 23, however, sales are said to have definitely exceeded production. It is reported that in some lines of heavy goods, many mills are pretty well sold out for several months ahead, but in most lines of goods this is not true. Nevertheless, it is generally expected that in the absence of exceptionally unfavorable developments in Europe sales will materially increase within the next few weeks. Domestic consumption in 1940-41 is expected to exceed the near record consumption of the past season.

Factors expected to contribute to increased sales of cotton textiles in the near future and to a large consumption in 1940-41 include: (1) Large Government purchases for defense and relief; (2) the enlarged Government cotton products export subsidy program; (3) increased incomes of domestic consumers; and (4) activities on the part of the Government and private organizations to stimulate domestic cotton consumption.

On August 26, 1940 an increase in the rates of Government payments on most cotton products exported from the United States became effective. The new rates are 80 to 88 percent higher than the original rates effective from July 27, 1939, when the export payment program inaugurated, to December 6, 1939 when the rates on most cotton products were reduced 47 to 50 percent. The recently revised rates on most products are from 3-1/2 to 3-3/4 times as high as the rates in effect from December 6, 1939 through August 25, 1940.

In announcing the increases in the rates of payment on exports of cotton products, it was pointed out that while no payment from funds now

available will be made on exports of raw cotton, increased efforts will be made to expand further the domestic as well as foreign outlets for cotton products. Further expansion of domestic outlets will increase the domestic mill consumption of raw cotton as will increased foreign sales of cotton products, thereby tending to offset the reduced export outlets for raw cotton. Existing programs to widen domestic outlets include those for encouraging the use of cotton for cotton bale covering and in the manufacture of fine writing papers, as well as for developing the use of cotton for insulating houses and other structures. The Cotton Stamp Plan is still in its early stages, but a very gradual expansion of this work is planned. Material expansion is contemplated in the cotton mattress program, however, under which very low-income rural families make their own mattresses. Last year the Department acquired 150,000 bales of cotton and 16 million yards of ticking for mattress making. It is hoped this year that from two to three times this amount of cotton can be used for this purpose. In addition, the use of increased quantities of cotton is being fitted into the national defense program so far as possible.

In addition to these efforts on the part of the Federal Government to stimulate cotton consumption, increased efforts are also being made by the Cotton Textile Institute and the National Cotton Council. According to a recent announcement by Mr. Oscar Johnston, President of the National Cotton Council, "the industry is ready to launch the most thorough-going war in history." "During the past 2 years the National Cotton Council, representing the industry, has made enormous strides forward in increasing cotton consumption. With the 100 percent allegiance of the cotton producer to the cause, with new and greater funds at our disposal, we shall be equipped to continue the long, hard struggle to regain lost markets at home and abroad through advertising, a constructive foreign trade program, and scientific research."

EUROPE: British mill activity continues  
about unchanged at exceptionally high levels

During the week ended August 23 British mill activity declined to 85 percent compared with 90 percent in the preceding 2 weeks according to recent cables from the American embassy at London. This was considerably lower than prior to July 22, when British mill workers' work-week was reduced from about 55½ hours back to 48 hours. Manufacturers' yarn and cloth sales in most recent weeks were reported as either dull or inactive. Mills were said to have been losing ground and in need of additional orders if further declines in activity were to be avoided. The recent increase in British taxes, higher prices for cotton textiles and other living costs, and war uncertainties have tended to restrict sales of goods for the home market even without the Government restrictions on such sales. In early June it was announced that effective October 1 distribution of cotton goods for domestic consumers was to be restricted to 25 percent of the level existing in the first half of 1939 but in early August it changed to 37½ percent. There was only a moderate improvement in sales for the home trade following the Government's announced decision to increase domestic distribution. Export sales have been severely affected as the result of war uncertainties, particularly the uncertainty as to the manufacturers' ability to make deliveries according to schedule.



Little information is available with respect to cotton mill consumption in the German-controlled area, in France, or in Italy. There is little doubt, however, that such supplies of raw cotton as are available in the area under German control are being used rather sparingly, particularly that going to civilian consumers. Since the British blockade has been extended to Italy and France, it seems reasonable to expect that mill consumption in these areas is now also comparatively low.

ORIENT: Mill activity fairly well  
maintained after earlier declines

Mill consumption of cotton in China, including Manchuria, during July is estimated at 122,000 bales compared with 130,000 bales in June. Mills in Shanghai further reduced their rate of operations, with Japanese-owned mills reported as operating at about 70 percent, Chinese mills at 75 percent, and British mills at 70 percent. Mills in the occupied areas of China and in Manchuria operated at about the same low rate as in June, while those in Chinese-controlled areas may have increased their operations to more than 80 percent. Imports of raw cotton in June totaled about 141,000 bales. This is in excess of the current monthly rate of consumption and has resulted in some increase in stocks of raw cotton.

Japanese exports of piece goods continued unfavorable in July with shipments estimated at around 123 million square yards, according to a radio-gram from Shanghai dated August 26. This compares with an estimated 110 million yards in June and 212 million yards in July 1939. Piece goods exports from August through October are expected to continue unfavorable unless unforeseen developments occur. After October some improvement is expected owing to anticipated improved demand from British India, Netherlands Indies, and French Indo-China.

Cotton yarn production in July including the cotton content of mixed yarns amounted to 177,000 bales of 400 pounds. This compared with 192,000 bales in June and 223,000 bales in July last year. Export yarn production totaled 121,769 bales of this amount. The decline in Japanese yarn production for July reflects efforts of the industry to reduce yarn production to low levels in keeping with deflated outlook for exports of piece goods. September yarn output is tentatively placed at between 150,000 to 155,000 bales which compared with almost 350,000 bales September 1937 and 199,000 bales in September 1939.

Arrivals of raw cotton in Japan during July were below mill takings for the sixth consecutive month, the difference amounting to almost 74,000 bales. July arrivals also were below consumption. Wharf stocks of American cotton at the end of July were 81,000 bales lower than at the end of June.

In India mill consumption of raw cotton was about the same in July as in June. It was slightly less than consumption in July last year or the year before. The total for the 12 months ended July, of approximately 2,950,000 bales of 400 pounds, was only 5 percent less than the record high consumption of the previous season. The total for the season was equal to or larger than that for any season prior to 1938-39.

## ACREAGE, PRODUCTION, STOCKS, AND SUPPLY

United States crop  
slightly reduced

A 1940 United States cotton crop of 11,429,000 bales was recently forecast by the Crop Reporting Board, on the basis of information gathered as of August 1. Such a crop would be nearly 400,000 bales (3 percent) less than the 1939 crop and 2,100,000 bales (or nearly 16 percent) less than the 10-year (1929-38) average. The indicated acreage for harvest (estimated acreage in cultivation July 1 less the 10-year average abandoned) was about 800,000 acres (3 percent) more than the acreage harvested in 1939. The average yield per acre, however, was forecast at 222.3 pounds per acre, which is 15.6 pounds less than the average 1939 yield. The acreage used in this estimate is 8,550,000 acres, or 26 percent less than the 10-year average and with the exception of the 2 years 1938 and 1939 the smallest since 1899. The indicated yield per acre, on the other hand, is 24.2 pounds more than the average of 198.1 pounds.

In Arkansas the crop forecast is slightly above average, whereas in Mississippi, Alabama, Louisiana, and Oklahoma, the crops are forecast at from 18 to 30 percent below average. In Missouri, South Carolina, and the irrigated States of the West the crops are expected to be materially above average.

The 1940 crop is somewhat later than that of 1939 in the Mississippi Delta, Alabama, and Tennessee. Ginnings up to August 16 of 169,420 bales were materially less than the 357,197 bales ginned up to the same date in the past year.

Acreage planted in India slightly reduced

The area planted to cotton in India up to August 1 was officially estimated at 13,454,000 acres, according to a cable received from Bombay August 20. This is 2 percent less than the acreage planted to that date in the corresponding period last year, and the smallest area planted to that date since 1934-35.



August 1 Domestic carry-  
over drops 2,400,000 bales

Total stocks of cotton in the United States on August 1 of 10,596,000 bales were officially reported on August 15 by the Bureau of the Census. This was 2,437,000 less than the record stocks on hand August 1, 1939 and 937,000 less than the total as of August 1, 1938. The carry-over at the beginning of the current season, however, was 900,000 bales larger than that for any year prior to 1938. With net exports officially reported at 6,175,000 bales and consumption at 7,746,000 bales domestic disappearance totaled nearly 14 million bales. This was the largest since 1932-33 and with that exception since 1928-29.

Of the total domestic stocks as of August 1, 1940, slightly more than 8,700,000 bales were under Government loan or owned by the Government. This would indicate a total of only 1,900,000 bales of "free" stocks; including nearly 100,000 bales of foreign cotton. A year earlier stocks of "free" cotton totaled almost 2,000,000 bales, including about the same amount of foreign cotton. The "free" stocks as of August 1 this year were the smallest for that date since 1925. This was an important price-supporting factor. "Free" stocks would have been reduced still further and prices would have been somewhat higher than they were except for small exports of recent weeks. This made it much easier than would have been the case had exports been more nearly normal for manufacturers and merchants, including exporters, to obtain from the small "free" stocks the cotton needed in their operations.

